

Finding the 'market' for state worker pay is tricky



Hannah Hoffman, Statesman Journal 8:13 a.m. PDT October 6, 2014



(Photo: AP)

The Oregon Department of Administrative Services is doing a massive overhaul of every manager in state government. Their positions are being redefined, and their pay will be reevaluated.

I talked with DAS Director Michael Jordan on Friday about the process. It sounds like redefining the jobs will be fairly straightforward, but changing the pay scales will not.

The goal, Jordan said, is to make sure the salary for every type of job is "in market," which means the pay is within 95 percent to 105 percent of the midpoint of the "market" for that job.



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State managers' positions to be redefined

(<http://www.statesmanjournal.com/story/news/politics/state-workers/2014/10/05/state-managers-positions-redefined/16751193/?from=global&sessionKey=&autologin=>)

Those numbers are highly specific. The word "market," however, turns out to be a problem.

Here are some reasons why:

1.) It is hard to know what the "market" is.

Jordan said the job market is different for each position, but he defines it as the pool the state loses talent to or hires out of.

For example, the market for an office manager is probably the greater Salem and Portland area, and it won't make an enormous difference if you look in the private or public sectors. Office managers for the state are hired out of office managers in Salem or Portland, and when they leave, they leave to work elsewhere in that area.

However, if you were looking for new director of the Department of Human Services, what is the "market"? It might be regional, maybe even national. Can you compare it to the private sector? Jordan said that can be a problem. A chief operating officer who manages more than 7,000 employees and billions of dollars in the private sector would make more than the state could ever pay the head of DHS.

In that case, maybe the market is other public sector agency heads. Maybe it also includes non profits. At its best, it is vaguely defined.

2.) You can't always include the private sector.

Taxpayers are often annoyed when they see state employees making more than they do. They often feel like that's not a fair use of taxpayer dollars, and they say that pay should be comparable.

In some cases, you really can compare the two. In the office manager example above, there is absolutely a valid comparison. An office manager at Nike would have similar skills and responsibilities as an office manager for the Oregon Health Authority.

Attorneys also are a good example. Trial attorneys at the Department of Justice do come to the state from the private sector, Jordan said, and many leave for private sector jobs. The private sector must be considered in that "market."

However, many jobs that exist in government don't exist in the private sector. We don't have private prisons in Oregon, so there are no privately employed corrections officers. There are no private sector workers who place children in foster care or investigate government ethics complaints. How do you compare jobs that don't exist in both employment sectors?

And then there are some that sound the same on paper but aren't in practice. A pharmacist at Walgreens and a pharmacist at the Oregon State Hospital do the same work, but the latter does it in a more dangerous, regulated, and potentially litigious environment. The working conditions are completely different, even if the "job" is the same.

3.) The market simply doesn't work for the State of Oregon.

Sometimes, Jordan said, the market pays above or below what the state is willing to budget for.

On the one end, the market might be too low. Custodians outside state government might make minimum wage or just a bit more. However, the state has a wage floor negotiated by its unions, and it doesn't even pay minimum wage. Its custodians may end up being well above market because the market pays a wage too small for the state to consider.

On the other end, the market can be too high. Recently, the Public Employees Retirement System board had to consider what it wanted in a replacement for Executive Director Paul Cleary. The salary was set at a point that board members were concerned wouldn't attract the kind of high-caliber candidates they wanted because it was so low compared to similar positions nationally.

However, the budget wouldn't allow for a higher salary without special permission granted in a specific case. (Jordan said that is often how these situations are resolved after someone is hired.)

Similarly, the state runs into this situation for some professional jobs. Attorneys, again, are in a "market" with private sector attorneys. But if the average private sector attorney at a large firm makes \$300 per hour, say, is the state willing to match that? It's not. Taxpayers would be furious if the state paid its lawyers \$300 per hour on every case, but that means attorneys who work in the public sector know they're taking a hit on their pay. (There can be other legitimate tradeoffs. Money isn't everything.)

The goal for Jordan and his staff is to have employees with salaries that are fair to them and affordable for the state and its taxpayers. That's a hard line to walk, and we're going to watch them make these tradeoffs and calculations over the next year.

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